

98

The attached paper was requested on 17 March by Steve Canner, Director of the Office of East-West Economic Policy at Treasury. Canner wants this paper by 23 March for distribution to members of the Paris Club prior to their meeting on Poland set for the week of 15-19 April. He emphasized that the paper should be a bland presentation of the numbers as we see them, with little analysis or conclusions.

STAT
STAT

EURM 83-10092

Distribution:

ADDI

C/EURA

C/EURA/EE

DC/EURA/EE

C/EURA/EE/EW

[REDACTED]

EE/EW Chrono

EURA/EE/EW/CW, [REDACTED] 23 March 83

STAT

STAT

CONFIDENTIAL

POLAND'S PAYMENT PROSPECTS IN 1983

Poland will be able to meet only a small fraction of its obligations to creditors this year. Warsaw's projected net hard currency earnings of slightly more than \$1 billion will only cover payments due to banks under the 1981 and 1982 rescheduling agreements. Additional payments would be possible if the West extended new credits or if Poland was able to run a larger hard currency current account surplus.

Hard Currency Receipts

The law of December 29, 1982 on the Balance-of-Payments for 1983 projects that Poland will earn a hard currency trade surplus of \$700 million and a surplus of \$340 million on services other than interest. This total of \$1.04 billion represents the money available for payments to creditors this year. The Poles also expect to receive \$800 million in credits which, if realized, would increase their payments capacity to \$1.84 billion.

Debt Service Due to Creditors

Warsaw's obligations to creditors in 1983 total an estimated \$13.9 billion, more than half of which is owed to Paris Club creditors. Principal and interest unpaid from last year and due this year are estimated at \$7.1 billion; another \$400 million in 1982 arrears and 1983 payments is due under the 1981 Paris Club rescheduling agreement.

25X1

EURM-83-10092

CONFIDENTIAL

CONFIDENTIAL

Under original loan contracts, Poland this year owes Western banks \$1.1 billion in medium- and long-term principal, \$1.2 billion in short-term debt, and \$1 billion in interest. Poland also owes more than \$600 million under the 1981 and 1982 bank rescheduling agreements.

Finally, an estimated \$2.4 billion in principal and interest is due this year to creditors that are not included in the Paris Club or the Western bank group. Obligations to this group could be much larger because presumably very little of the \$2.8 billion due them in 1982 was paid or rescheduled.

Payments Capacity

In the past year Poland has succeeded in meeting its obligations under the 1981 and 1982 bank rescheduling agreements. If Poland continues this pattern of payments, these obligations will absorb all of its projected payments capacity in 1983. The 1982 bank rescheduling agreement calls for more than \$400 million in interest originally due in 1982 to be paid in March, and interest due under the 1981 and 1982 bank agreements amounts to \$450 million. Another \$200 million in principal and other charges due under the 1982 bank agreement pushes the total above Warsaw's projected payments capacity of \$1.04 billion.

CONFIDENTIAL

POLAND: PAYMENTS DUE TO CREDITORS IN 1983
(Million \$US)

<u>Total</u>	<u>13,866</u>
<u>Arrears from 1982</u>	<u>4,400</u>
On unrescheduled obligations	4,200
Paris Club	4,200
Banks	0
On payments under rescheduling agreements	200
Paris Club-1981 agreement	200
<u>Under original loan contracts</u>	<u>8,620</u>
Paris Club	2,915
Principal	1,770
Interest	1,145
Banks	3,326
Principal	2,332
Medium and long-term	1,132
Short-term	1,200
Interest	994
Medium and long-term	874
Short-term	120
Other creditors	2,379
Principal	1,826
Interest	553
<u>Under rescheduling agreements</u>	<u>846</u>
1981 Paris Club agreement--interest	200
1981 bank agreement--interest	228
1982 bank agreement	418
Interest on rescheduled amounts	222
Deferred principal	117
Restructuring fee	15
Interest on overdue 1982 interest	64

CONFIDENTIAL